



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

November 18, 2013

Purchases of Standard Financial Information by Qualifying International Investment Management Companies

Effective October 1, 2013, the purchase and use of standard financial information by a qualifying international investment management company is exempt from retail sales and use tax. (See Engrossed Substitute Senate Bill (ESSB) 5882, Part VII [Chapter 13, Laws of 2013, 2nd Special Session].)

These sales and use tax exemptions expire on July 1, 2021.

Standard Financial Information

The term “standard financial information” means financial data, facts, or information, or financial information services, not generated, compiled, or developed only for a single customer. This includes financial market data, bond ratings, credit ratings, and deposit, loan, or mortgage reports.

In addition, the term “financial market data” means market pricing information, such as for securities, commodities, and derivatives; corporate actions for publicly and privately traded companies, such as dividend schedules and reorganizations; corporate attributes, such as domicile, currencies used, and exchanges where shares are traded; and currency information.

Standard financial information may be provided in a tangible format (e.g. paper documents), on a tangible media (e.g. DVD, USB drive, etc.) or as a digital product transferred electronically.

Qualifying International Investment Management Company

A “qualifying international investment management company” (qualifying company) means a business that:

- Is primarily engaged in the business of providing investment management services; and
- Has gross income that is at least ten percent derived from providing investment management services to:
 - o Persons or collective investment funds residing outside the United States; or
 - o Collective investment funds with at least ten percent of their investments located outside the United States.

Important: This definition of a qualifying company is narrower than the definition under Revised Code of Washington (RCW) 82.04.293. The ESSB 5882, Section 702(4)(a) definition of a qualifying company does not include businesses that derive ten percent or more of their gross income by providing investment management services to persons with at least ten percent of their investments located outside the United States.

When determining if a business is a qualifying company under ESSB 5882, Section 702(4)(a), the other definitions in RCW 82.04.293 apply.

Annual Limit on This Exemption

A qualifying company cannot continue to take these sales and use tax exemptions in a calendar year once the company has:

- Purchased more than \$15 million of standard financial information; and
- Taken these exemptions on the standard financial information.

Sellers making tax-exempt sales under this section of the law will not be assessed for uncollected sales tax on sales to a qualifying company that has exceeded this \$15 million limitation.

Requirements for Sellers

Sellers making tax-exempt sales under this section of the law must:

- Obtain a completed Buyer's Retail Sales Tax Exemption Certificate or Digital Products and Remote Access Software Exemption Certificate from a qualifying company.
- Report their total gross sales on their return and deduct these exempt sales from their reported gross sales.
- Keep the copy of the exemption certificate with their business records for five years after the date of the exempt sale.

Reporting Instructions for Sellers

Exempt sales are reported on the seller's Excise Tax Return under the Retail Sales tax classification and must be identified on the deduction detail page. For this exemption, sellers must report the deduction under the retail sales tax heading, as "Financial Info Sold to Intl Invest Mgt Co." There is no comparable business and occupation (B&O) exemption, so the gross proceeds of sales that qualify for this sales tax exemption are subject to retailing B&O tax.

Continued

New Reporting Requirements for Buyers

These sales and use tax exemptions for standard financial information are subject to additional reporting requirements. (See ESSB 5882, Part XVII [Chapter 13, Laws of 2013, 2nd Special Session].)

Buyers must report the amount of tax preference received. This is reported under the "Tax Preference" section of the Department's E-file tax return. When completing this section, buyers should select the "Standard Financial Information by International Financial Investment Management Companies" from the drop down list of exemptions. Enter the total purchase price paid for the sales and use tax exemptions claimed for that tax reporting period. This addendum must be completed in addition to a buyer's regular reporting responsibilities.

Buyers are not required to report the amount of preference received if:

- The tax benefit to a buyer is less than \$1,000 per year; or
- The buyer files an annual tax return with the Department.